

## Message Text

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ACTION AF-06

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----- 057245

P R 011403Z APR 75

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC PRIORITY 1602

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

DIA/AH8/WASHDC

C O N F I D E N T I A L PRETORIA 1110

CAPE TOWN FOR EMBASSY

E.O. 11652: GDS

TAGS:ESTC, SF

SUBJ: ARMS EMBARGO: SALE OF TELEDYNE DIESEL ENGINES TO SOUTH  
AFRICA

REF: STATE 052671

1. DURING PERIOD 12-25 MARCH, ARMA AND EMBOFF HELD DISCUSSIONS WITH LOUIS OSSIP OF GENERAL COMPONENTS; GENERAL VAN DER RIET, SPECIAL ASSISTANT TO PRESIDENT OF SA ARMAMENTS BOARD; AND PROFESSOR SAMUELS, PRESIDENT OF ARMAMENTS BOARD RE US SALE OF TELEDYNE DIESEL ENGINES TO SOUTH AFRICA. ALL RECONFIRMED FACT THAT ENGINES TO BE USED SOLEY FOR PURPOSE STATE IN LICENSE APPLICATION. ALL REAFFIRMED THAT NO MILITARY USE OR RE-EXPORT OF ENGINES INTENDED.

2. IN 25 MARCH MEETING WITH PROFESSOR SAMUELS, ARMA DISCUSSED STATUS OF EXPORT LICENSE APPLICATION AND REITERATED USG CONCERN OVER POSSIBILITY THAT ENGINES COULD BE DIVERTED TOWARD MILITARY USE. SAMUELS REITERATED VAN DER RIET'S EARLIER (SEPTEMBER AND  
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12 MARCH) ASSURANCES THAT ENGINES WOULD BE USED ONLY TO

POWER HEAVY-DUTY CIVILIAN VEHICLES AND WERE NOT INTENDED TO BE USED IN MILITARY VEHICLES OF ANY KIND. HE STATED, HOWEVER, THAT HE DOUBTED THAT ANYONE IN SAG COULD OR WOULD GIVE WRITTEN GUARANTEE THAT TELEDYNE DIESELS WOULD NEVER BE USED FOR OTHER THAN CIVILIAN PURPOSES. HE EXPLAINED POINT BY STATING THAT IN CRISIS SITUATION, SAG RESERVED RIGHT TO REALLOCATE ALL AVAILABLE RESOURCES TO MEET NATIONAL SECURITY REQUIREMENTS. ALTHOUGH HE DID NOT FORESEE SUCH A SITUATION ARISING, HE COULD NOT EXCLUDE POSSIBILITY AND THUS COULD NOT, IN HONESTY, PRECLUDE BY WRITTEN GUARANTEE ALL POSSIBILITY OF EVENTUAL MILITARY USE OF ENGINES. (COMMENT: USG PASSED MAWS JUST PRIOR WORLD WAR II WHICH PERMITTED IT TO REQUISITION PRIVATE PROPERTY NEEDED FOR DEFENSE EFFORT. END COMMENT.)

3. SAMUELS WENT ON TO STATE, SPEAKING PERSONALLY AND FOR SAG, THAT SA CHERISHED FRIENDSHIP OF THE US AND WOULD NEVER KNOWINGLY ALLOW ANY SITUATION ARISE WHICH WOULD JEOPARDIZE THAT FRIENDSHIP. HE ADDED THAT THE SAG WISHED TO AVOID CAUSING ANY EMBARRASSMENT TO THE US. TO DO SO OVER A "PALTRY" 300 ENGINES THAT COULD BE MANUFACTURED LOCALLY OR PURCHASED READILY ELSEWHERE, HE SAID, "WAS UNTHINKABLE." REGARDLESS, HE REITERATED HIS POSITION THAT POSITIVE ASSURANCES AS TO THE FUTURE END USE OF THE ENGINES COULD NOT BE GIVEN BY HIMSELF OR ANY OTHER RESPONSIBLE SA OFFICIAL.

4. ON SUBJECT SA CAPABILITY MANUFACTURE TANKS AND POWER TRAINS, PROFESSOR SAMUELS INDICATED THAT THIS COULD BE DONE. HE ADDED, HOWEVER, THAT DESPITE MINISTER OF DEFENSE'S PUBLIC ASSERTION THAT TANKS WOULD BE PRODUCED, ACTUAL PRODUCTION ONLY LONG TERM GOAL. AT THE MOMENT, HE SAID, SA PERCEIVES NO IMMEDIATE THREAT OR POTENTIAL THREAT REQUIRING USE OF LARGE TANK FORCE. ONLY IMMEDIATE NEED FOR TANKS IS FOR TRAINING AND LONG RANGE READINESS PURPOSES. WITH RESPECT TO MANUFACTURE OF ENGINES, SAMUELS STATED THAT THEY COULD BE PRODUCED INTERNALLY WITHIN PERIOD OF THREE MONTHS BUT THAT CURRENT NEEDS WOULD NOT JUSTIFY EXPENDITURES. ENGINE REQUIREMENT, HE SAID, WAS SO SMALL THAT IT ECONOMICALLY INFEASIBLE TO INITIATE LOCAL PRODUCTION DESPITE EXISTING TECHNOLOGICAL CAPABILITY. HE ADDED THAT SA PRODUCTION AND/OR CONVERSION OF TELEDYNES RENDERED STILL MORE IMPRACTICAL BY FACT THAT FOREIGN TANK ENGINES READILY AVAILABLE FROM NON-US SOURCES.

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5. FINALLY, SAMUELS STATED THAT IN VIEW OF OBVIOUS "LACK OF THRUST AND FAITH" USG HAS INDICATED DURING COURSE THIS TRANSACTION, HE WAS PREPARED RESOLVE MATTER BY USING HIS POSITION IN GOVERNMENT AND AS DIRECTOR OF ISCOR TO CAUSE CANCELLATION OF ORDER. HE SAID THAT SUGGESTION FROM HIM TO VETSAK/METPRO THAT THEY SHOULD NEGOTIATE ELSEWHERE FOR ENGINES WOULD BE CONSIDERED TANTAMOUNT TO DIRECT ORDER. HE ASKED ARMA FOR HIS THOUGHTS ON

THIS COURSE OF ACTION. ARMA REPLIED THAT HE BELIEVED CANCELLATION AT THIS POINT WOULD BE PREMATURE AND THAT USG SHOULD BE AFFORDED OPPORTUNITY ACT ON MATTER ON BASIS INFORMATION STEMING FROM THIS CONVERSATION. SAMULES AGREED, STATING THAT HE WOULD TAKE NO FURTHER ACTION UNTIL HE HEARD FROM ARMA. HE REITERATED, HOWEVER, THAT HE DID NOT WISH CAUSE USG ANY EMBARRASSMENT AND THAT NEITHER HE NOR ANY OTHER RESPONSIBLE OFFICIAL WOULD KNOWINGLY EMPLOY "CHEAP SCHEME" INVOLVING SMALL NUMBER DIESEL ENGINES IN WAY WHICH WOULD FURTHER JEOPARDIZE SAG-USG RELATIONS.

6. EMBOFF DISCUSSED PARA 3 REF WITH GENERAL COMPONENTS DIRECTOR, LOUIS OSSIP ON 12 MARCH WITH VIEW TOWARD OBTAINING FROM HIS LIKELY VETSAK REACTION TO REQUEST FOR ON-SITE INSPECTION MOUNTED TELEDYNE ENGINES. OSSIP SAID HE BELIVED THIS NO PROBLEM AND OFFERED CHECK WITH VETSAK WRITTEN ASSURANCE, SIGNED BY GENERAL MANAGER VETSAK, DE JAGER, CONFIRMING THAT ENGINES "WILL BE USED SOLEY FOR CIVILIAN USE AND THAT ONCE INSTALLED, A VEHICLE WILL BE AVAILABLE FOR INSPECTION BY A REPRESENTATIVE OF THE U.S.A. GOVERNMENT." EMBOFF EXPRESSED RESERVATION RE LANGUAGE OF DOCUMENT WHICH IMPLIES INSPECTION RIGHTS APPLICABLE ONLY ONE MOUNTED ENGINE. OSSIP SAID LANGUAGE WAS HIS AND APOLIGIZED FOR APPARENT IMPRECISION BUT SAID THAT NO SUCH LIMITATIONS INTENDED. HE SAID VETSAK HAS EXPRESSED NO RESERVATION RE ON-SITE INSPECTION. IN ANY CASE, SINCE VETSAK ONLY INTENDS BUILD OR OR TWO PROTOTYPE VEHICLES INITIALLY, QUESTION RENDERED LARGELY IRRELEVANT, AT LEAST FOR THE MOMENT.

7. OSSIP EXPLAINED THAT SINCE VEHICLE WOULD BE PROTOTYPE, FIELD EVALUATION BY ISCOR AND OTHER POTENTION CUSTOMERS WOULD PROCEED DECISION GO AHEAD WITH FULL SCALE MANUFACTURE. VETSAK, HOWEVER, COMPELLED PLACE ORDER FOR ALL 300 ENGINES IN ORDER BE ASSURED OF AVAILABILITY OF POWER TRAIN, SINCE ENGINE AVAILABILITY MUST ALSO PRECEED DECISION GO AHEAD.

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8. REFERRING TO CONVERSATION WITH DE JAGER, OSSIP REITERATED POINT MADE IN EARLIER CONVERSATION WITH EMBOFF TO EFFECT THAT DE JAGER GROWING INCREASINGLY IMPATIET OVER DELAY IN PROJECT CAUSED BY ABSENCE OF ENGINES. ACCORDING OSSIP, DE JAGER HAS DECIDED CANCEL ORDER IF EXPORT LICENSES NOT ISSUED BY 23 APRIL. HE SAID DE JAGER HAS ASKED HIM LOOK INTO POSSIBILITY OF ORDERING ALTERNATIVE ENGINE FROM EUROPE IF 23 APRIL DEADLINE NOT MET.

9. EMBASSY/DEFATT AGREED THAT ON BASIS ALL AVAILABLE INFORMATION, LIKELIHOOD THAT SAG WOULD DIVERT TELEDYNE DIESELS TO POWER MILITARY VEHICLES REMOTE UNDER CONDITIONS SHORT OF NATIONAL EMERGENCY. IN ANY CASE, ASSUMING ENGINES SHIPPED IN SMALL QUANTITIES AS NEEDED (OSSIP CLAIMS ACCEPATABLE ARRANGEMENT

WOULD BE INITIAL SHIPMENT TWO OR THREE ENGINES FOLLOWED BY OHTERS  
IF VEHICLE PROVE SATISFACTORY), EMBASSY COULD PROVIDE ADEQUATE  
MONITORING SERVICE TO INSURE THAT CIVILIAN MOUNTING ACCOMPLISHED.  
IF ON-SITE EVIDENCE SUGGESTS POSSIBILITY OF OTHER THAN CIVILAIN  
USE, ASSUME LICENSE COULD BE WITHDRAWN AND REMAINING ENGINES  
WITHHELD.

10. FINALLY, WISH NOTE IN REGARD PARA 5 OF REFTTEL, THAT  
EMBOFF/ARMA DID NOT RPT NOT EMPHASIZE TO SAG/VETSAK THAT RECEIPT OF  
ASSURANCES SHOULD NOT BE TAKEN TO IMPLY THAT FINAL DECISION ON  
LICENSE APPLICATION WOULD BE FAVORABLE. RATHER, WE POINTED OUT  
ONLY THAT ASSURANCED WOULD ALLOW CONTINUED PROCESSING OF  
APPLICATION. IT OUR VIEW THAT TO HAVE "STRONGLY EMPHASIZED" TO  
EITHER OSSIP OR SAG THAT THEIR ASSURANCES MAY NOT BE ACCEPTED  
IN GOOD FAITH, WOULD HAVE BEEN COUNTERPRODUCTIVE AND WOULD  
ERODE RELATIONSHIPS, E.G. WITH VAN DER RIET AND SAMUELS, THAT  
HAVE VALUE TO EMBASSY FAR TRANSCENDING THIS COMMERCIAL  
TRANSACTION.  
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## Message Attributes

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